

Decision **PROPOSED DECISION OF ALJ MCKINNEY** (Mailed 12/3/2014)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Liberty Utilities
(CalPeco Electric) LLC (U933E) for
Approval of its 2015 Greenhouse Gas Cost
and Revenue Forecast and Reconciliation.

Application 14-08-001
(Filed August 1, 2014)

**DECISION AUTHORIZING 2015 FORECAST OF GREENHOUSE GAS
ALLOWANCE REVENUE AND RECONCILIATION FOR RETURN TO
CUSTOMERS**

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DECISION AUTHORIZING 2015 FORECAST OF GREENHOUSE GAS ALLOWANCE REVENUE AND RECONCILIATION FOR RETURN TO CUSTOMERS**Summary**

In accordance with California Public Utilities Code Section 748.5, Assembly Bill 32,¹ Decision (D.) 12-12-033, D.13-12-041 and D.14-10-033 as corrected by D.14-10-055, this decision authorizes Liberty Utilities (CalPeco Electric) LLC, to incorporate forecast greenhouse gas (GHG) cap-and-trade related costs and GHG allowance auction revenues into 2015 customer rates. We authorize the forecast amounts of the California Climate Credit to be returned to residential customers beginning in 2015. All forecasts approved in this proceeding are subject to reconciliation of costs and revenues in subsequent proceedings. In addition, outreach and administrative expenses are subject to further reasonableness review at the time of the reconciliation.

This decision also reconciles the recorded 2013 and 2014 GHG costs and allowance revenues approved in the 2014 forecast² for the purpose of determining the appropriate 2015 revenue return to customers.

1. Background

Rulemaking (R.) 11-03-012 addresses greenhouse gas (GHG)-related costs and allowance revenues for all investor-owned electric utilities, including Liberty Utilities. Decision (D.) 12-12-033³ in R.11-03-012 requires Liberty Utilities to file an annual application for approval of forecast GHG costs and allowance

¹ Statutes of 2006, Chapter 488.

² D.13-12-041 approved forecast cost and revenues for inclusion in 2014 rates.

³ Ordering Paragraph 23 requires the five utilities to submit GHG Revenue Forecast Applications for the first three years of the cap-and-trade program (2013-2015).

revenues, including administrative and outreach costs, sufficient to calculate the amount of allowance revenue that will be returned to different customer classes each year.

Pursuant to D.12-12-033, five utilities⁴ filed 2014 GHG Revenue Forecast Applications and the five applications were consolidated (Consolidated Proceeding, A.13-08-002 et al.). The Phase 1 decision in the Consolidated Proceeding, D.13-12-041, was limited to information and approvals necessary to incorporate GHG costs and allowance revenues into 2014 rates and to issue the first California Climate Credit.⁵ D.13-12-041 approved the forecasts with modifications for inclusion in 2014 rates, and concluded that the forecasts “should remain subject to true up against actual amounts in future GHG Revenue and Reconciliation Applications and actual administrative and customer outreach expenses remain subject to reasonableness review.”⁶

The Commission adopted D.14-10-033 for Phase 2 of the Consolidated Proceeding on October 16, 2014, and two of its appendices were corrected by D.14-10-055 on October 30, 2014. D.14-10-033 describes methodologies and conventions to be used in GHG Revenue and Reconciliation Applications filed after 2013.⁷ We use the standards adopted in D.14-10-033 to review

⁴ The five utilities are Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, PacifiCorp, an Oregon Company, and Liberty Utilities.

⁵ The California Climate Credit received its official name in April 2014 by ruling in R.11-03-012. Prior to that time it was referred to as the “Climate Dividend.”

⁶ D.13-12-041, Conclusion of Law 3.

⁷ Application (A.) 13-08-002, et al., Assigned Commissioner’s and Administrative Law Judge’s (ALJ) Phase 2 Scoping Memo and Ruling, February 19, 2014.

Liberty Utilities' current application, A.14-08-001, to determine the reasonableness of both the recorded and forecasted variables discussed below.

This decision will review and reconcile the 2013 and 2014 recorded GHG costs and allowance revenues with the 2015 forecast GHG costs and allowance revenues. It will also review and approve Liberty Utilities' 2015 GHG cost and allowance revenue forecasts for inclusion in 2015 customer rates. In doing so, we will examine the variables necessary for authorizing rate changes and determining the California Climate Credit. The variables are:

1. **Recorded and Forecast Allowance Revenues.** These are the revenues received by a utility as a result of selling the allowances allocated to ratepayers by the state.
2. **Recorded and Forecast Administrative and Customer Outreach Expenses.** These are the costs incurred by a utility for administrative and customer outreach expenditures that relate to the allowance revenue return program.
3. **Recorded and Forecast Expenses for Approved Incremental Energy Efficiency (EE) and Clean Energy Programs.** D.12-12-033 allows utilities to use a portion of allowance revenues to fund EE and clean energy programs that have been approved by the Commission in other proceedings.
4. **Recorded and Forecast Emissions-Intensive and Trade-Exposed (EITE) Customer Return.** Using methodologies being developed in R.11-03-012, a portion of allowance revenues are returned to customers who qualify as EITE.⁸ The EITE customer return is based on formulas

⁸ D.12-12-033 sets forth an overview of the proposed methodology sufficient for purposes of forecasting the EITE return. Future decisions in R.11-03-012 are expected to provide additional direction. The next GHG Revenue and Reconciliation Application will use the actual EITE return when calculating the Climate Credit for the next year.

and made once per year. The actual EITE return will be calculated using the final EITE return formula determined in R.11-03-012.

5. **Recorded and Forecast Small Businesses Return.** Using a methodology adopted in R.11-03-012, a portion of allowance revenues are returned to customers who meet the definition of small business developed in R.11-03-012.⁹ The Forecast Small Business Return is volumetric; it is calculated using the Forecast GHG Cost (*see* Item 8 below) and the volume of electricity used by the customer and is returned as a credit to the delivery component of the customer's monthly bill.
6. **Recorded and Forecast Volumetric Residential Return.** The residential rate return only applies to electricity usage above Tier 2 for the three large electric utilities and does not apply to Liberty Utilities.¹⁰ Liberty Utilities properly excluded this variable from its application; thus, it will not be addressed in this proceeding.
7. **Recorded and Forecast Residential California Climate Credit.** The Climate Credit is distributed to residential households after all the above expenses and customer returns have been made. It appears as a credit on the customer's bill twice per year. The Climate Credit is not related to the volume of electricity used by the household: each household within a utility's territory receives the same Climate Credit.

⁹ D.12-12-033 sets forth an overview of the methodology sufficient for purposes of forecasting the small business customer return for 2014. D.13-12-002 adopted a specific methodology.

¹⁰ The two small utilities, including Liberty Utilities, have not had caps imposed on their baseline rates and thus have not experienced the large disparities between lower and upper tiers that the large utilities have. Because they are able to pass GHG costs on to both lower and upper tiers, D.12-12-033 required the small utilities to make their residential returns solely through the Climate Credit. For the large utilities, the Commission authorized this rate offset until such time as the differences between lower and upper-tier residential rates can be substantially reduced or eliminated. The Commission is currently considering this issue in R.12-06-013.

8. **Recorded and Forecast GHG Costs.** These are the GHG emissions costs incurred directly or indirectly by a utility as a result of the GHG cap-and-trade program. Direct costs include, generally, the costs incurred to purchase compliance instruments¹¹ for plants run by the utility or the cost of providing physical or financial settlement specifically for GHG emissions from plants not owned or operated by the utility. Indirect costs generally reflect GHG costs embedded in the price of power purchased on the market or through contracts that do not include GHG settlement terms.

2. Procedural History

As required by D.13-12-041, Liberty Utilities filed its 2015 GHG Forecast Revenue and Reconciliation Application (2015 Forecast Application) on August 1, 2014.

On September 12, 2014, the assigned Administrative Law Judge (ALJ) issued a ruling requiring Liberty Utilities to provide supplemental information as set forth in the draft Phase 2 Proposed Decision in the Consolidated Proceeding, which mailed on September 12, 2014. The ruling directed Liberty Utilities to complete Attachments C and D to the Proposed Decision and serve supporting testimony if appropriate when making its annual filing. Liberty Utilities submitted its supplemental filing on October 8, 2014 (Supplemental Testimony, Exhibit Liberty-01) in both a Public Version and a Confidential Version.

¹¹ A covered entity must surrender one compliance instrument for each metric ton of carbon dioxide equivalent of GHG emissions for its compliance obligations. Allowances and offsets are the two types of compliance instruments in the cap-and-trade program. (California Cap on GHG Emissions and Market-Based Compliance Mechanisms, Title 17 CCR § 95856.) The regulation also limits the use of offsets to no more than 8% of compliance instruments in a compliance period. (Title 17 CCR § 95854).

On September 11, 2014, the Office of Ratepayer Advocates (ORA) filed a motion to become a party. No protests were filed. A Prehearing Conference was held on September 26, 2014 and ORA's motion to become a party was granted. ORA did not identify any issues in dispute, but reserved the right to file intervenor testimony after reviewing Liberty Utility's Supplemental Testimony.

On October 3, 2014, Liberty Utilities filed Rule 3.2 Proof of Compliance.

The Assigned Commissioner and ALJ's Scoping Memo and Ruling (Scoping Memo) was issued on October 7, 2014. Because no intervenor testimony was filed, on October 25, 2014, the Assigned ALJ issued a ruling to remove briefing dates from the procedural schedule.

On November 19, 2014, the assigned ALJ issued an e-mail ruling setting a status conference for November 20, 2014, for parties to discuss information provided in Liberty Utilities' Supplemental Testimony.

On November 20, 2014, the parties held a status conference, and on November 26, 2014, Liberty Utilities filed amended supplemental testimony (Exhibit Liberty-02) to correct errors in the October Supplemental Testimony. This decision moves both Exhibit Liberty-01 and Exhibit Liberty-02 into the record. Exhibit Liberty-01, as corrected by Exhibit Liberty-02, is referred to herein as the Corrected Testimony.

As set forth in the Scoping Memo, the issues to be addressed in this proceeding are:

1. Are the utility's recorded 2013 and 2014 administrative and customer outreach expenses reasonable?
2. Should the utility's proposed reconciliation of recorded 2013 and 2014 GHG costs, allowance revenues, and administrative and outreach costs be approved?

3. Are the utility's forecasted 2015 GHG costs and allowance revenue amounts reasonable?
4. Are the utility's forecasted 2015 administrative and customer outreach expenses reasonable?
5. Does the utility appropriately calculate the 2015 California Climate Credit for residential households?
6. What safety considerations are raised by this proceeding?

3. Recorded and Forecast GHG Allowance Revenue, Expenses, Credits, and Costs

The Supplemental Testimony and Corrected Testimony reflect information available through the third quarter of 2014 consistent with Attachments C and D to the Proposed Decision in the Consolidated Proceeding. The testimony includes both forecast and recorded data. The modeling methodology used in the Corrected Testimony is consistent with the methodology required by D.14-10-033. The information updated in the Corrected Testimony compared to the original application was limited to revised forecasts of 2015 GHG costs, 2015 allowance revenues, 2014 end-of-year balancing account balances, revised recorded 2013 and 2014 GHG costs, and revised 2015 rate impacts. The information detailed below includes recorded data for 2013, recorded data for some months of 2014 and forecast data for the remaining months of 2014, and forecasts for 2015.

3.1. Recorded and Forecast GHG Allowance Revenue

Each utility forecasts and records the total allowance revenue it receives each year. To determine the amount of this revenue that is available to return to customers in that year, the utility adjusts the forecast allowance revenue to account for any variance between the forecast and recorded allowance revenue, GHG costs and expenses from prior years.

In addition, D.13-12-041 required all five of the regulated utilities to amortize their 2013 GHG costs and allowance revenues equally between 2014 and 2015, beginning with the month in which GHG costs and allowance revenues were first included in rates. Thus, the total amount of revenue available to return to customers in 2015 will reflect the remaining amortized 2013 revenues and the forecast 2015 revenues.

3.2. Recorded and Forecast GHG Allowance Revenue

Based on Liberty Utilities' Corrected Testimony, the recorded GHG allowance revenues for 2013 and 2014 are \$2.663 million and \$2.648 million, respectively. The recorded 2013 data includes actual recorded data for 2013, while the recorded data for 2014 include actuals from January to September 2014 plus forecast data from October to December 2014.

Adjusting for interest, franchise fees and uncollectibles, expenses and customer allocations in 2014, Liberty Utilities projects an end of year revenue balance of \$1.259 million available for the 2015 allocation. This amount represents the remaining allowance revenue from 2013 to be amortized in 2015, and the reconciliation of 2013 and 2014 forecasted allowance revenue with recorded and estimated recorded allowance revenue through 2014.

Liberty Utilities' 2015 forecast GHG allowance revenue is \$2.819 million, which is in addition to the forecast revenue balance from 2014 of \$1.259 million. Liberty Utilities reports in Attachment D-1 of the Corrected Testimony that the total forecast allowance revenue available in 2015 is \$4.079 million, which includes interest, Franchise Fees and Uncollectibles, and the revenue balance from 2014.

3.3. Recorded and Forecast Administrative and Outreach Expenses

3.3.1. Administrative Expenses

Liberty Utilities forecasted \$150,429 for 2013 administrative expenses to implement GHG revenue returns to customers. Recorded administrative expenses in 2013 were \$169,381, resulting in an under-collection of approximately \$19,000. Liberty Utilities explains in its testimony that the under-collection was due to higher than forecast legal and financial service fees.

Liberty Utilities' recorded GHG administrative expenses for 2014 are \$163,358. This figure reflects recorded expenses through August and forecast administrative expenses of \$60,077 between September and December 2014.

Liberty Utilities' 2015 forecast GHG administrative expenses is \$201,866 for legal services, financial and banking fees, consultants, workshop travel, data subscriptions, Air Resources Board (ARB) charges, and third-party verification fees. The Corrected Testimony resulted in no net change to the overall administrative cost forecast for 2015 relative to the initial application. Liberty Utilities notes that its forecast legal services expenses are expected to increase in 2015 relative to 2014 due to compliance and legal activities related to the power purchase agreement through which it purchases most of its power supply, and that consulting service expenses will increase in 2015 to comply with the accrual accounting principles required in D.14-10-033.

3.3.2. Outreach Expenses

Liberty Utilities forecasted 2013 customer outreach expenditures at \$21,867, and its recorded outreach expenditures for 2013 were \$1,781, approximately \$20,000 less in expenses than forecast, which Liberty Utilities explains was due primarily to the delayed implementation of the California Climate Credit, which began in April 2014.

For 2014, Liberty Utilities forecasted \$43,027 in outreach expenses, based on the mechanism by which D.12-12-033 set Liberty Utilities' maximum 2013 outreach expense budget.¹² Liberty Utilities reported that its recorded 2014 outreach expenses will be equivalent to this forecast. At the time that Liberty Utilities filed its Corrected Testimony, it had spent \$34,861 on customer outreach in 2014, and it forecasted to spend an additional \$8,166 between September and December 2014. Outreach activities in 2014 include developing a marketing plan and materials, bill insert printing and handling, communications planning and coordination, and website additions and updates.

Liberty Utilities' 2015 forecast customer outreach expenses are \$44,896, which is nearly equivalent to its forecasted and actual outreach budget for 2014. This forecast did not change in the Corrected Testimony compared to the amount in the original application. Liberty Utilities explains in its application that the outreach activities planned for 2015 will maintain similar strategies pursued in 2014, including print, radio and television media, bill inserts and "earned media," as well as website outreach.

3.4. Recorded and Forecast Expenses Approved for Incremental EE and Clean Energy Programs

Liberty Utilities has not requested or received approval of clean energy and EE projects in accordance with D.12-12-033, so it does not forecast or record an amount for this variable. Therefore, this decision will not discuss this variable.

¹² D.12-12-033, Ordering Paragraph 15 capped Liberty Utilities' customer outreach funding for 2013 at \$35,000, based on 1.5% of expected 2013 allowance revenue calculated at the 2013 ARB allowance auction floor price.

3.5. Recorded and Forecast EITE Customer Return

Liberty Utilities has reported that it did not identify any customers that qualify as EITE in 2013 or 2014, and it forecasted that no customers will qualify as EITE in 2015. Thus, the application and Corrected Testimony report that no revenue has been allocated to EITEs in 2013 and 2014, and none will be allocated in 2015.

3.6. Recorded and Forecast Volumetric Small Business Return

In accordance with D.12-12-033, Liberty Utilities distributes its Small Business Return through monthly volumetric credits. The basis for these volumetric revenue returns is the rate-specific cents-per-kilowatt-hour cap-and-trade “unit costs.” For 2015 this is determined by:

1. Calculating the total forecast cap-and-trade costs allocable to each applicable rate schedule based on the generation cost allocators.
2. Calculating and applying a true-up adjustment for each year’s cost to reflect the difference between the estimated recorded 2014 costs and the forecasted costs that were used in setting the 2014 volumetric rates.
3. The total costs allocable to each rate schedule will be divided by the rate schedule’s forecasted annual kWh usage, which will result in a cents-per-kilowatt-hour GHG “unit cost” for each group.

Liberty Utilities’ estimated total 2014 recorded Small Business Return is \$352,737. Liberty Utilities’ 2015 forecast for its Small Business Return is \$910,628 as reported in the Corrected Testimony. The exact credit per customer will be determined by multiplying the cap-and-trade unit cost for the customer’s rate schedule by the customer’s monthly usage and then adjusted by the Industry

Assistance Factors determined in D.13-12-002.¹³ For 2013 through 2015, the Industry Assistance Factor is 100 percent.

3.7. Recorded and Forecast California Climate Credit

Liberty Utilities' total estimated recorded allowance revenue distributed for the residential Climate Credit in 2014 is \$3.39 million, which is slightly lower than the 2014 forecast due to fewer actual eligible households than initially expected. The 2015 forecast total residential Climate Credit is \$2.921 million, as reported in the Corrected Testimony, which will result in a \$35.01 semi-annual per-household credit.

3.8. Recorded and Forecast GHG Cost

In this application, Liberty Utilities has asked for approval of its forecast 2015 GHG costs for recovery in rates. Liberty Utilities reports that it only has direct GHG costs, and no indirect costs. Therefore, pursuant to the confidentiality protocols in D.14-10-033, Liberty Utilities' total GHG cost forecasts in its application and testimony are confidential. Liberty Utilities' Supplemental Testimony had errors in the information about recorded 2013 and 2014 direct emissions and the costs of those emissions. Exhibit Liberty-02 corrected these errors such that Liberty Utilities calculated recorded direct emissions based on the sum of monthly direct emissions multiplied by the weighted average cost (WAC) of eligible compliance instruments held in inventory.¹⁴ Additionally, the Exhibit Liberty-02 corrected errors in Template C

¹³ See D.13-12-002, Table 1 at 8.

¹⁴ For the purpose of reporting recorded direct GHG costs, D.14-10-033 requires each utility to multiply recorded direct GHG emissions by the WAC of eligible compliance instruments that it holds in inventory. For the purpose of reporting recorded indirect GHG costs, D.14-10-033

Footnote continued on next page

(WAC Calculations) so that the WAC used to calculate recorded 2014 emissions reflects the weighted cost of compliance instruments in inventory that are eligible for cap-and-trade compliance period 1.

Liberty Utilities' 2015 forecast GHG costs are confidential since Liberty Utilities reports that it does not forecast that it will have indirect GHG costs in 2015. Liberty Utilities reported that it forecast its direct GHG costs by multiplying its forecast direct emissions by \$12.56 (the March 2014 settlement price of an InterContinental Exchange California Carbon Allowance futures contract with a 2015 vintage year).

4. Discussion

Liberty Utilities provided sufficient information for the Commission to evaluate recorded 2013 and 2014 allowance revenues, as well as forecast 2015 allowance revenues. The methodologies used for recording and forecasting GHG allowance revenues are consistent with D.14-10-033, D.12-12-033 and the guidance provided in R.11-03-012 to date.

Liberty Utilities' forecast customer outreach and administrative costs are reasonable for the purpose of calculating revenue available for the 2015 Climate Credit. Liberty Utilities' administrative activities for 2013 and 2014 include legal services, financial and banking fees, consultant expenses, workshop travel, data subscription, ARB charges and third-party verification fees. Its outreach activities for 2013 and 2014 include costs to develop marketing plans and materials, bill insert printing, processing and handling, communications planning, and website updates and maintenance.

requires each utility to multiply the recorded indirect GHG emissions by the annual average of the daily California Independent System Operator GHG Allowance Price Index.

Liberty Utilities' recorded 2013 and 2014 outreach and administrative activities and expenses are reasonable, and it is appropriate to allow Liberty Utilities to recover these expenses.

Liberty Utilities has provided sufficient information for the Commission to evaluate the reasonableness of its forecast 2015 GHG costs. Liberty Utilities' forecast of 2015 GHG costs follows the methodologies required by D.14-10-033, and Liberty Utilities' Corrected Testimony properly reconciled this forecast with recorded 2013 and 2014 GHG costs. The recorded 2013 and 2014 GHG costs in Liberty Utilities' Corrected Testimony were properly calculated on an accrual basis according to the methodology required in D.14-10-033. It is appropriate for Liberty Utilities to modify its tariffs to recover forecasted 2015 GHG costs, as reconciled to reflect recorded 2013 and 2014 GHG costs, in rates beginning January 1, 2015.

Liberty Utilities' forecast of allowance revenue that it expects to return to customers in 2015 was calculated in a manner consistent with D.12-12-033, D.13-12-022, and D.14-10-033. It is appropriate to authorize Liberty Utilities to return allowance revenue to eligible small business customers as reflected in Attachment D-4 to the Corrected Testimony, and it is appropriate for residential customers to receive a \$35.01 California Climate Credit semi-annually in 2015, which Liberty Utilities may round down to \$35.00, at its discretion, to improve the simplicity and clarity of outreach activities. Liberty Utilities' authorized revenue allocation forecasts for 2015 are summarized in Table 1 below:

\$3,832,046

\$0

(\$910,628)

\$0

(\$910,628)

41,723

(\$35.01)

(\$2,921,418)

5. Motion for Confidential Treatment

Liberty Utilities submitted both public and confidential versions of Exhibit Liberty-01 and Exhibit Liberty-02. By motion, Liberty Utilities has requested that the confidential versions of the exhibits remain under seal. Because information related to GHG allowance trading is subject to the Commission's and to ARB's rules on confidential information, D.14-10-033 set forth Confidentiality Protocols and a Confidentiality Matrix for use by the Commission in these proceedings.

The confidential versions of the exhibits contain commercially sensitive material, including material that falls under ARB Confidential and Confidential categories in the Confidentiality Matrix. The motions to file under seal are hereby granted and the confidential treatment of the exhibits is affirmed on the terms set forth in the Confidentiality Matrix. Motions to file under seal in future GHG forecast revenue and reconciliation applications should include a Confidentiality Matrix.

6. Safety Considerations

The health and safety impacts of GHGs are among the many reasons that the Legislature enacted Assembly Bill (AB) 32. Specifically, the Legislature found and declared that global warming caused by GHGs “poses a serious threat to the economic well-being, public health, natural resources, and the environment of California. The potential adverse impacts of global warming include the exacerbation of air quality problems, a reduction in the quality and supply of water to the state from the Sierra snowpack, a rise in sea levels resulting in the displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment, and an increase in the incidences of infectious diseases, asthma, and other human health-related problems.”¹⁵

This decision implements a key part of the GHG reduction program envisioned by AB 32 and Public Utilities Code Section 748.5 and, as a result, will improve the health and safety of California residents.

7. Reduction of Comment Period

Pursuant to Rule 14.6(b) of the Commission’s Rules of Practice and Procedure, all parties stipulated to reduce the 30 day public review and comment period required by Section 311 of the Public Utilities Code to 15 days. No parties filed comments on the proposed decision.

¹⁵ AB 32 Findings and Declarations.

8. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Jeanne McKinney is the assigned ALJ in this proceeding.

Findings of Fact

1. The proposed forecast GHG cost and allowance revenue returns to Liberty Utilities customers, including the residential California Climate Credit, are set forth in the Corrected Testimony.

2. Pursuant to D.12-12-033, Liberty Utilities has been tracking GHG costs and allowance revenues in a two-way balancing account and tracking administrative and outreach expenditures associated with the program in memorandum accounts.

3. D.13-12-041 required Liberty Utilities to file an application by August 1, 2014 seeking approval of 2015 forecast GHG costs, allowance revenues, administrative and customer outreach expenses, in order to calculate GHG costs, volumetric allowance revenue returns and the residential Climate Credit for inclusion in 2015 rates.

4. D.12-12-033 allows for a portion of GHG allowance revenues to be used for EE and clean energy programs approved in relevant proceedings.

5. Liberty Utilities has not had an EE or clean energy program approved in another proceeding for which the allowance revenues could be used.

6. Liberty Utilities filed Rule 3.2 Proof of Compliance for rate changes that may result from this proceeding.

7. The 2015 forecast of GHG allowance revenue receipts is \$2,819,494.

8. The forecast administrative and outreach costs for 2015 are \$246,762.

9. Liberty Utilities does not have any known EITE customers as of the date of this decision.

10. The total 2015 forecast volumetric Small Business Return is \$910,628.
11. The total 2015 forecast residential California Climate Credit is \$2,921,418.
12. The 2015 forecast GHG costs as reconciled with recorded 2013 and 2014 GHG costs are confidential and are represented on Line 19 of Template D-2 in Exhibit Liberty-02.
13. The 2013 and 2014 recorded administrative and outreach expenses are \$171,162 and \$206,385, respectively.
14. The exhibits subject to the motions to file under seal contain commercially sensitive material and ARB allowance auction participation information that is entitled to confidential treatment.
15. Exhibit Liberty-01 and Exhibit Liberty-02 should be included in the evidentiary record for this proceeding.

Conclusions of Law

1. The amounts and calculations in Exhibit Liberty-02 are consistent with D.12-12-033, D.14-10-033 and the other decisions issued in R.11-03-012 as of today's date.
2. The methodologies used to forecast GHG costs and allowance revenues, and to reconcile prior forecasts with recorded amounts, are reasonable.
3. The recorded and forecast GHG allowance revenue are reasonable.
4. The recorded and forecast GHG costs are reasonable.
5. The recorded and forecast administrative and outreach costs are reasonable.
6. Liberty Utilities should be authorized to modify its tariffs to reflect the forecast 2015 GHG costs and allowance revenues set forth in Table 1 of this decision.

7. An Advice Letter to implement changed tariff sheets in accordance with this decision should be filed as a General Order 96-B Tier 1 Advice Letter.

8. There is no need for evidentiary hearings for this proceeding.

9. The exhibits subject to the motions to file under seal contain commercially sensitive material and ARB trading information that is entitled to confidential treatment under the Confidentiality Protocols and Confidentiality Matrix, and under other rules applicable to the Commission.

10. Exhibit Liberty-01 and Exhibit Liberty-02 should be included in the evidentiary record for this proceeding.

O R D E R

IT IS ORDERED that:

1. Liberty Utilities (CalPeco Electric) LLC shall modify its tariffs to issue a semi-annual residential California Climate Credit and to include in rates the forecasted greenhouse gas (GHG) costs and allowance revenues consistent with the amounts set forth in Table 1 of this decision. Liberty Utilities (CalPeco Electric) LLC shall submit the necessary Advice Letter (AL) with the Energy Division under Tier 1 of General Order 96-B to implement the rate changes authorized by this decision. The AL shall include changed tariff sheets and supporting documentation for:

- a. Residential rate schedules (including master-metered rate schedules) to include the authorized 2015 Climate Credit Amount;
- b. Small business rate schedules to include the volumetric dollars per kilowatt hour line-item credit to offset the authorized portion of GHG costs in rates; and

- c. Remaining rate schedules to include increases in all customer groups' generation dollars per kilowatt hour rates to collect authorized GHG costs.

2. If the rate changes authorized by this decision are not effective on January 1, 2015, then Liberty Utilities (CalPeco Electric) LLC shall calculate the volumetric greenhouse gas costs and volumetric allowance revenue amounts to be included in customer rates so that the amounts set forth in Exhibit Liberty-02 are amortized over the remaining months of 2015.

3. Exhibit Liberty-01 and Exhibit Liberty-02 are added to the evidentiary record.

4. The confidential versions of Exhibit Liberty-01 and Exhibit Liberty-02 were filed under seal and shall remain under seal for the applicable period of time set forth in the Confidentiality Matrix attached to Decision 14-10-033 and shall not be made accessible or disclosed to anyone other than the Commission and its staff except on the further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge (ALJ) or the ALJ then designated as Law and Motion Judge.

5. Application 14-08-001 is closed.

This order is effective today.

Dated _____, at San Francisco, California.